

**NORTH DAKOTA HOUSING
FINANCE AGENCY**

***FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007***

NORTH DAKOTA HOUSING FINANCE AGENCY

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INDEPENDENT AUDITOR'S REPORT

The Industrial Commission
State of North Dakota
Bismarck, North Dakota

We have audited the accompanying financial statements of the **North Dakota Housing Finance Agency**, a department of the State of North Dakota as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the **North Dakota Housing Finance Agency's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of **North Dakota Housing Finance Agency** are intended to present the financial position, changes in financial position, and the cash flows of only that portion of the financial statements of the State of North Dakota that is attributable to the transactions of **North Dakota Housing Finance Agency**. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2008 and 2007, and the changes in financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **North Dakota Housing Finance Agency** as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2008, on our consideration of the **North Dakota Housing Finance Agency's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement of the **North Dakota Housing Finance Agency**. The accompanying supplementary information on pages 37 through 51 are presented for purposes of additional analysis and are not a required part of the basic financial statements of **North Dakota Housing Finance Agency**. The accompanying schedule of expenditures of federal awards on page 52 is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
November 3, 2008

NORTH DAKOTA HOUSING FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(In Thousands)

The discussion and analysis of the financial performance of the North Dakota Housing Finance Agency (Agency) that follows is meant to provide additional insight into the Agency's activities for the year ended June 30, 2008. Please read it in conjunction with the Agency's financial statements and footnotes, which are presented within this report.

North Dakota Housing Bonds issued by North Dakota Housing Finance Agency are revenue bonds that are neither a general nor a moral obligation of the state but are a general obligation of the Agency.

Financial Highlights

- Mortgage loans receivable has increased \$121,069 to \$769,068 from the previous year. This is the net change of \$195,065 in loans being purchased, \$76,070 of repaid principal, a change in loan premiums/discounts of \$2,737 and an addition of \$663 in mortgage receivable loss reserve.
- Bonds payable increased by \$129,059 to \$927,144 with \$292,125 new bonds issued and \$165,095 bonds called or matured and \$2,029 premium/discount amortized.
- The loan from Bank of North Dakota increased \$1,483 to \$3,587 with \$17,215 new loans obtained and \$15,732 principal payments made.
- The Agency's net assets increased by \$8,981 to \$97,769 as a result of this year's program operations and financing activities.
- Net income of \$8,981 is up from the prior year by \$1,328 as a result of a larger mortgage portfolio and increased investment income.
- Operating revenues of \$53,537 were up \$8,400 from the prior year as a result of more single family mortgages outstanding and more investments resulting in more interest income.
- Operating expenses of \$46,655 were up \$7,629 as a result of additional interest expense and a larger amount of administrative and operating expenses.

Overview of the Financial Statements

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements. The financial statements of the Agency provide accounting information similar to that of many other business entities. The Balance Sheet summarizes the assets and liabilities, with the difference between the two reported as net assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets summarizes the Agency's operating performance for the year. The Statement of Cash Flows summarizes the flow of cash through the Agency.

CONDENSED BALANCE SHEETS – JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>Percentage</u>
ASSETS				
Unrestricted current assets	\$ 4,038	\$ 4,123	\$ (85)	(2) %
Restricted current assets	<u>274,680</u>	<u>251,344</u>	<u>23,336</u>	<u>9</u>
Total current assets	<u>278,718</u>	<u>255,467</u>	<u>23,251</u>	<u>9</u>
Unrestricted noncurrent assets	8,192	2,360	5,832	247
Restricted noncurrent assets	<u>774,513</u>	<u>658,868</u>	<u>115,645</u>	<u>18</u>
	<u>782,705</u>	<u>661,228</u>	<u>121,477</u>	<u>18</u>
Total assets	<u>\$ 1,061,423</u>	<u>\$ 916,695</u>	<u>\$ 144,728</u>	<u>16 %</u>
LIABILITIES				
Current liabilities	\$ 140,069	\$ 44,857	\$ 95,212	212 %
Noncurrent liabilities	<u>823,585</u>	<u>783,050</u>	<u>40,535</u>	<u>5</u>
	<u>963,654</u>	<u>827,907</u>	<u>135,747</u>	<u>16</u>
NET ASSETS				
Invested in capital assets	11	-	11	100
Restricted for pledged assets	-	4,045	(4,045)	(100)
Restricted for debt service	82,081	76,036	6,045	8
Unrestricted	<u>15,677</u>	<u>8,707</u>	<u>6,970</u>	<u>80</u>
	<u>97,769</u>	<u>88,788</u>	<u>8,981</u>	<u>10</u>
Total liabilities and net assets	<u>\$ 1,061,423</u>	<u>\$ 916,695</u>	<u>\$ 144,728</u>	<u>16 %</u>

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
YEAR ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>Percentage</u>	
OPERATING REVENUES					
Mortgage interest income	\$ 40,586	\$ 34,738	\$ 5,848	17	%
Investment income	11,422	8,919	2,503	28	
Fee income	1,529	1,480	49	3	
Total revenues	<u>53,537</u>	<u>45,137</u>	<u>8,400</u>	<u>19</u>	
OPERATING EXPENSES					
Interest expense	39,334	33,381	5,953	19	
Agency grants	596	560	36	6	
Amortization of deferred bond financing costs	968	951	17	2	
Administrative and operating expenses	3,533	2,219	1,314	38	
Salaries and benefits	2,223	1,915	308	16	
Depreciation	1	-	1	100	
Total expenses	<u>46,655</u>	<u>39,026</u>	<u>7,629</u>	<u>20</u>	
OPERATING INCOME	<u>6,882</u>	<u>6,111</u>	<u>771</u>	<u>13</u>	
NONOPERATING REVENUES (EXPENSES)					
HUD grants	12,156	12,158	(2)	-	
Investment income	2,130	1,571	559	36	
HUD grants	(12,156)	(12,158)	2	-	
	<u>2,130</u>	<u>1,571</u>	<u>559</u>	<u>36</u>	
INCOME BEFORE TRANSFERS	<u>9,012</u>	<u>7,682</u>	<u>1,330</u>	<u>17</u>	
TRANSFERS					
Transfer to Industrial Commission	<u>31</u>	<u>29</u>	<u>2</u>	<u>7</u>	
CHANGE IN NET ASSETS	<u>8,981</u>	<u>7,653</u>	<u>1,328</u>	<u>17</u>	
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>88,788</u>	<u>81,135</u>	<u>7,653</u>	<u>9</u>	
TOTAL NET ASSETS, END OF YEAR	<u>\$ 97,769</u>	<u>\$ 88,788</u>	<u>\$ 8,981</u>	<u>10</u>	%

(continued on next page)

Investment Income

Operating interest income is comprised of the sum of interest earnings on funds held in trust for the Home Mortgage Finance Program. These funds are invested in investment contracts as reported in Notes 2 and 3 to the financial statements. The increase in interest earnings was due to the increase in the amount of funds invested.

Non-operating interest income represents earnings on the Agencies investments. These funds are invested in US Treasury securities or the Bank of North Dakota money market and demand accounts. The increase in interest earnings was due to the leveling in market values of the treasuries'.

Budgetary Information

As discussed in Note 1 to the financial statements, the North Dakota Housing Finance Agency is funded under a biennial appropriation approved by the state legislature. The biennial appropriation does not provide any state General Fund dollars. Hence, total Agency appropriation is funded from Agency operations.

Contacting the North Dakota Housing Finance Agency's Financial Management

The information in this report is intended to provide the reader with an overview of the Agency's operations along with the Agency's accountability for those operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the North Dakota Housing Finance Agency, PO Box 1535, Bismarck, ND 58502-1535.

NORTH DAKOTA HOUSING FINANCE AGENCY
BALANCE SHEETS
JUNE 30, 2008 AND 2007
(In Thousands)

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS - UNRESTRICTED		
Cash and cash equivalents	\$ 2,467	\$ 1,334
Investments	-	1,307
Due from State Agencies	123	111
Receivables		
Interest		
Loans	23	15
Investments	215	218
Due from HUD	204	167
Other	558	579
Current portion of service release premium	424	357
Prepaid expenses	24	35
Total unrestricted current assets	<u>4,038</u>	<u>4,123</u>
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents	256,848	236,036
Receivables		
Current portion of loans receivable	14,603	12,556
Interest		
Loans	3,185	2,693
Investments	44	59
Total restricted current assets	<u>274,680</u>	<u>251,344</u>
Total current assets	<u>278,718</u>	<u>255,467</u>
NONCURRENT ASSETS - UNRESTRICTED		
Investments	5,304	-
Service release premium, net	2,877	2,360
Equipment, net	11	-
Total unrestricted noncurrent assets	<u>8,192</u>	<u>2,360</u>
NONCURRENT ASSETS - RESTRICTED		
Loans receivable, net of current portion	754,465	635,443
Investments	13,262	17,287
Deferred bond financing costs, net	6,786	6,138
Total restricted noncurrent assets	<u>774,513</u>	<u>658,868</u>
Total noncurrent assets	<u>782,705</u>	<u>661,228</u>
Total assets	<u>\$ 1,061,423</u>	<u>\$ 916,695</u>

See Notes to Financial Statements

	<u>2008</u>	<u>2007</u>
LIABILITIES		
CURRENT LIABILITIES		
Due to HUD	\$ 257	\$ 306
Due to state agencies	10	7
Current portion of rebate due to IRS	192	26
Other	764	700
Current portion of compensated absences	112	123
Current portion of bonds payable	105,675	16,395
Loan from Bank of North Dakota	3,587	2,104
Accrued interest	19,318	16,892
Funds held in trust	10,154	8,304
Total current liabilities	<u>140,069</u>	<u>44,857</u>
NONCURRENT LIABILITIES		
Compensated absences, net of current portion	76	47
Rebate due to IRS, net of current portion	2,040	1,313
Bonds payable, net of current portion	821,469	781,690
Total noncurrent liabilities	<u>823,585</u>	<u>783,050</u>
Total liabilities	<u>963,654</u>	<u>827,907</u>
NET ASSETS		
Invested in capital assets	11	-
Restricted for pledged assets	-	4,045
Restricted for debt service	82,081	76,036
Unrestricted	15,677	8,707
Total net assets	<u>97,769</u>	<u>88,788</u>
Total liabilities and net assets	<u>\$ 1,061,423</u>	<u>\$ 916,695</u>

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007
(In Thousands)

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Mortgage interest income	\$ 40,586	\$ 34,738
Investment income	11,422	8,919
Fee income	1,529	1,480
Total revenues	<u>53,537</u>	<u>45,137</u>
OPERATING EXPENSES		
Interest expense	39,334	33,381
Agency grants	596	560
Amortization of deferred bond financing costs	968	951
Administrative and operating expenses	3,533	2,219
Salaries and benefits	2,223	1,915
Depreciation	1	-
Total expenses	<u>46,655</u>	<u>39,026</u>
OPERATING INCOME	<u>6,882</u>	<u>6,111</u>
NONOPERATING REVENUES (EXPENSES)		
HUD grants	12,156	12,158
Investment income (loss)	2,130	1,571
HUD grants	<u>(12,156)</u>	<u>(12,158)</u>
	<u>2,130</u>	<u>1,571</u>
INCOME BEFORE TRANSFERS	9,012	7,682
TRANSFERS		
Transfer to Industrial Commission	<u>31</u>	<u>29</u>
CHANGE IN NET ASSETS	8,981	7,653
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>88,788</u>	<u>81,135</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 97,769</u></u>	<u><u>\$ 88,788</u></u>

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007
(In Thousands)

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Receipts from customers	\$ 85,290	\$ 122,811
Payment of grants	(683)	(614)
Payments to service providers		
State agencies	(135)	(253)
Other	(154,874)	(153,699)
Payments to employees	(2,219)	(1,910)
Payment of rebate to IRS	893	289
Net cash used in operating activities	<u>(71,728)</u>	<u>(33,376)</u>
NONCAPITAL FINANCING ACTIVITIES		
Principal payments on notes and bonds	(8,969)	(133,257)
Proceeds from note borrowings and bond issuance	139,511	175,125
Interest paid on notes and bonds	(37,373)	(31,809)
Payment of bond issue costs	(1,616)	(1,118)
Transfer to Industrial Commission	(31)	(29)
Net cash from noncapital financing activities	<u>91,522</u>	<u>8,912</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(11)	-
Net cash used for capital and related financing activities	<u>(11)</u>	<u>-</u>
INVESTING ACTIVITIES		
Purchase of Investments	-	(13,047)
Proceeds from sale of investments	184	22,039
Interest received from investments	1,978	2,073
Net cash from investing activities	<u>2,162</u>	<u>11,065</u>
CHANGE IN CASH AND CASH EQUIVALENTS	21,945	(13,399)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>237,370</u>	<u>250,769</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 259,315</u>	<u>\$ 237,370</u>
Cash and cash equivalents - unrestricted	\$ 2,467	\$ 1,334
Cash and cash equivalents - restricted	<u>256,848</u>	<u>236,036</u>
Total cash and cash equivalents	<u><u>\$ 259,315</u></u>	<u><u>\$ 237,370</u></u>

(continued on next page)

STATEMENTS OF CASH FLOWS- page 2

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 6,882	\$ 6,111
Adjustments to reconcile operating income to net cash used in operating activities		
Depreciation	1	-
Amortization		
Deferred fee income/loan discounts	(2,736)	(2,122)
DBFC and original issue discounts	968	951
Service release premium	(584)	(414)
Rebate due to IRS	893	289
Loan principal repayments	27,988	76,387
Loan purchases	(146,320)	(148,627)
Interest received on mortgage loans	40,586	34,738
Reclassification of interest income/expense to other activities	(1,276)	(1,164)
Changes in assets and liabilities		
Due from HUD	(37)	(10)
Due from State Agencies	(12)	(29)
Other receivables	21	(58)
Prepaid expenses	11	(9)
Due to HUD	(49)	(43)
Due to State Agencies	3	(54)
Other liabilities	70	163
Compensated absences	18	2
Funds held in trust	1,849	513
Deferred credits and revenues	(4)	-
Net cash used in operating activities	<u>\$ (71,728)</u>	<u>\$ (33,376)</u>
Non-cash disclosure:		
Increase (decrease) in fair value of investments	<u>\$ 155</u>	<u>\$ (498)</u>

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENT OF APPROPRIATIONS
BIENNIUM ENDED JUNE 30, 2009
(In Thousands)

	2007-2009 Appropriations Original	2007-2009 Appropriations As Adjusted	2007-2009 Expenditures	Unexpended Appropriations
ADMINISTRATIVE EXPENSES				
Salaries, wages and benefits	\$ 4,732	\$ 4,732	\$ 2,223	\$ 2,509
Operating expenses	9,413	9,413	3,109	6,304
Grants, benefits and claims	27,320	27,320	12,752	14,568
Contingency	100	100	11	89
Total	<u>\$ 41,565</u>	<u>\$ 41,565</u>	<u>\$ 18,095</u>	<u>\$ 23,470</u>

- (1) The Agency's total appropriation of \$41,565 consists of funding of \$25,010 from federal funds and \$16,555 from special funds. The Agency has a continuing appropriation for operating expenses authorized by Section 4 of SB 1014. As of June 30, 2008, the Agency has not used the continuing appropriation.
- (2) This statement includes only those expenditures for which there are appropriations. A reconciliation to the expenses on the statement of revenues, expenses and changes in fund net assets follows (in thousands):

	2008
Total expenditures	\$ 18,095
Less: Grants, benefits and claims	(12,752)
Administrative and operating expenses relating to Rental, Homeownership Bonds, and Agency expenses	413
Depreciation	<u>1</u>
Total administrative and operating expenses and depreciation	<u>\$ 5,757</u>

NORTH DAKOTA HOUSING FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007
(In Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The North Dakota Housing Finance Agency (Agency) was created in 1980 by an initiated measure. The Agency is authorized, among other things, to make mortgage and construction loans to housing sponsors; to make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans; to purchase qualified mortgage loans from mortgage lenders; and to apply for and receive assistance and subsidies under programs of the federal government.

The Agency is authorized to issue bonds and notes in order to exercise its authorized powers. Bonds and notes issued by the Agency under the 1994 General Resolution are not a debt or liability of the State of North Dakota and the state is not liable for repayment of such obligations. Bonds under the 1994 General Resolution are a general obligation of the Agency.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) statements No. 14, *The Financial Reporting Entity*, the Agency should include all component units over which the Agency exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Agency.

Based on the criteria of GASB Statement No. 14, no organizations were determined to be part of the reporting entity. The North Dakota Housing Finance Agency is included as part of the primary government of the State of North Dakota's reporting entity.

Budgetary Process

The Agency operates through a biennial appropriation provided by the State Legislature. The Agency prepares a biennial budget which is included in the Governor's budget that is presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. The Governor has line item veto powers over all legislation subject to legislative override. Once passed and signed, the appropriation becomes the Agency's financial plan for the next two years. The Agency has a continuous appropriation of any additional income from federal or other funds which may become available to the Agency. Changes to the appropriation not falling under the continuing appropriation are subject to approval by the State Emergency Commission.

The State's budgeting system does not include revenues and thus, a Statement of Revenues and Expenses – Budget and Actual cannot be prepared as required by generally accepted accounting principles. In its place a Statement of Appropriations has been presented. The Statement of Appropriations has been prepared using the accrual basis of accounting and includes only those expenses for which an appropriation has been established.

NOTES TO FINANCIAL STATEMENTS

Accounting Standards

The Agency follows the pronouncements of the Governmental Accounting Standards Board, which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities. In accordance with GASB Statement No. 20, the Agency follows all applicable GASB Pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The funds account for the flow of resources of carrying on specific activities in accordance with laws, regulations, or debt restrictions.

The Agency's funds are:

Agency Operating Funds

These funds account for (1) activities related to the development and administration of Agency financial programs, (2) HUD Section 8 Housing Assistance Payment programs, (3) Agency owned assets and (4) any activities of the Agency not applicable to the other funds.

Homeownership Bond Funds

These funds account for the proceeds from the sale of Homeownership Bonds, the debt service requirements of the bond indebtedness, and mortgage loans and assets acquired with bond proceeds to finance single family home ownership.

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All enterprise funds are accounted using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Net assets are segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. When both restricted and unrestricted net assets are available for use, generally it is the Agency's policy to use unrestricted net assets first, then restricted net assets as they are needed. The statements of cash flows present the cash flows for operating activities, investing activities and non-capital financing activities.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTES TO FINANCIAL STATEMENTS

Significant Group Concentrations of Credit Risk

All of the Agency's mortgage loans are secured by houses located within the State of North Dakota.

Cash and Cash Equivalents

The Agency considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statements of revenues, expenditures, and changes in fund net assets.

Funds held by trustees or the Agency under bond resolutions are to be invested to the fullest extent possible in investment obligations selected by the Agency. The maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required. The restricted bond accounts have their moneys invested in various debt securities such as U.S. Treasury securities, U.S. Government Agency securities, and investment contracts.

Accumulated Unpaid Vacation and Sick Pay

Annual leave and sick leave are a part of permanent employees' compensation as set forth in Section 54-06-14 of the North Dakota Century Code. Annual leave is earned based on tenure of employment, within a range of a minimum of one working day per month of employment, to a maximum of two working days per month of employment, to be fixed by rules and regulations adopted by the employing unit. In general, accrued annual leave cannot exceed 30 days at each year-end, as set by the Agency. Employees are paid for unused annual leave upon termination or retirement.

Sick leave is earned based on tenure at the rate of one to a maximum of one and one-half working days per month of employment. There are no limitations on the amount of sick leave that an employee can accumulate. Employees who have ten continuous years of service are paid one-tenth of their accumulated sick leave upon leaving service under chapter 54-52 of the North Dakota Century Code. A liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as required by the Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*.

Interfund Receivables and Payables

Advances between funds during the year resulting in interfund receivables and payables have been eliminated in the financial statements.

Mortgage Loans Receivable

Mortgage loans receivable are recorded at amounts advanced less principal payments and, in the Homeownership Bond Fund, net of purchase discounts and premiums. Interest income on loans is accrued at the specific rate on the unpaid principal balance.

NOTES TO FINANCIAL STATEMENTS

Deferred Bond Financing Costs

Issuance costs on bonds are amortized using the bonds outstanding method over the life of the bonds for fixed rate series bonds and the effective interest method for variable rate series bonds.

Equipment

Equipment and furnishings are stated at cost, net of accumulated depreciation. Equipment and furnishings with a cost of \$5,000 or more per unit are capitalized and reported in the accompanying financial statements. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from five to ten years.

Funds Held in Trust

These amounts consist of escrow, buy-down and partial payments made by mortgagors on loans serviced by the Agency.

Rebate Due to IRS

Under Internal Revenue Service Code Sections 103 and 148, earnings from nonpurpose investments in excess of the earnings that would have been earned had the investments been invested at the composite effective rate equal to the bond yield, with certain exceptions, must be remitted as rebate to the U.S. Treasury once every five years. Rebate is calculated monthly and the liability is adjusted accordingly.

Interest Rate Swaps

North Dakota Housing Finance Agency enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

Operating and Non-operating Revenues

Operating revenues consist of sales of goods and services, quasi-external operating transactions with other funds, grant revenue for specific activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions and other miscellaneous revenue. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the Agency would not otherwise undertake. Investment income in the Homeownership Bond Fund is recorded as operating income as these revenues are generated from the Agency's operations needed to carry out its statutory purpose.

All other revenues that do not meet the above criteria are classified as non-operating.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS

Custodial Credit Risk

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, “all state funds...must be deposited in the Bank of North Dakota” or must be deposited in accordance with constitutional and statutory provisions.

Deposits of the Agency at June 30, 2008 and 2007 include \$12,769 and \$9,635, respectively, of deposits at the Bank of North Dakota of interest-bearing operating cash under the control of the State Treasurer’s Office as required by law.

The deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10. The carrying amounts of the deposits of the Agency at the Bank of North Dakota at June 30, 2008 and 2007 were \$12,615 and \$9,499, respectively.

NOTE 3 – INVESTMENTS

The Agency does not have an investment policy that specifically addresses the risks below. However, the respective bond resolutions permit only investments that will not adversely affect the rating quality of the outstanding bonds. The maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. At June 30, 2008, the following shows the investments by investment type, amount and the duration (expressed in thousands).

	<u>Total Market Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>More Than 10 Years</u>
Federal National Mortgage Association Agency Bond	\$ 5,436	\$ -	\$ -	\$ 5,436	\$ -
US Treasury Bonds	<u>13,130</u>	<u>-</u>	<u>50</u>	<u>10,345</u>	<u>2,735</u>
Total Debt Securities	<u>\$ 18,566</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 15,781</u>	<u>\$ 2,735</u>

NOTES TO FINANCIAL STATEMENTS

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fixed rate investment agreements and the Federal National Mortgage Association Pool of the Agency are not rated. The following represents the Agency's ratings as of June 30, 2008 (expressed in thousands):

	S&P Credit Rating AAA	Total Market Value
Federal National Mortgage Association	<u>\$ 5,436</u>	\$ 5,436
US Treasury Bonds		<u>13,130</u>
Total Debt Securities		<u>\$ 18,566</u>

Agency Operating Fund investment securities with a carrying amount of approximately \$13,262 and \$17,287 at June 30, 2008 and 2007, were pledged as requested by rating agencies in conjunction with the 1994 General Resolution and as collateral on bank loans.

The carrying amount of the Agency's deposits and investments are reported on the balance sheets at June 30, 2008 and 2007, as follows:

	<u>2008</u>	<u>2007</u>
Unrestricted:		
Deposits		
Cash and cash equivalents	<u>\$ 2,467</u>	<u>\$ 1,334</u>
Investments	<u>\$ 5,304</u>	<u>\$ 1,307</u>
Restricted:		
Deposits		
Cash and cash equivalents	\$ 256,848	\$ 236,036
Less fixed rate investment agreements reported as cash equivalents	<u>226,569</u>	<u>201,401</u>
Total deposits	<u>\$ 30,279</u>	<u>\$ 34,635</u>

NOTES TO FINANCIAL STATEMENTS

	<u>2008</u>	<u>2007</u>
Investments		
Investments	\$ 13,262	\$ 17,287
Fixed rate investment agreements reported as cash equivalents	<u>226,569</u>	<u>201,401</u>
Total investments	<u><u>\$ 239,831</u></u>	<u><u>\$ 218,688</u></u>

NOTE 4 - LOANS RECEIVABLE

Loans receivable at June 30, 2008 and 2007, consist of the following:

	<u>2008</u>	<u>2007</u>
Restricted:		
Agency operating funds	\$ 6,377	\$ 5,147
Less current portion	<u>179</u>	<u>67</u>
	<u><u>\$ 6,198</u></u>	<u><u>\$ 5,080</u></u>
Restricted:		
Homeownership bond funds	\$ 762,691	\$ 642,852
Less current portion	<u>14,424</u>	<u>12,489</u>
	<u><u>\$ 748,267</u></u>	<u><u>\$ 630,363</u></u>

Mortgage loans are secured by first liens on real property.

Agency and Homeownership mortgage loans are insured by a private primary mortgage insurer, the Federal Housing Administration or guaranteed by the Veterans Administration, USDA-RD, or uninsured with a loan to value of 80% or less.

Interest rates on Agency and Homeownership mortgage loans vary from 0.00% to 11.9% with maturities of such loans ranging from less than one year to 40 years.

Included in Homeownership and Agency mortgage loans are loans totaling \$141 which have been foreclosed on and are owned by the Agency (REO), \$29 in real estate loans in judgment (REJ) and 32 loans totaling \$2,107 were in the foreclosure process at June 30, 2008. At June 30, 2007, Homeownership and Agency mortgage loans included \$39 of REO loans, \$61 in real estate loans in judgment (REJ) and 41 loans totaling \$2,247 were in the foreclosure process. Since such loans are at least partially insured or guaranteed by outside parties, it is anticipated that the Agency will recover substantially all of the unpaid principal and interest on the loans through insurance payments or sale of foreclosed property.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at year-end were eliminated in the financial statements as follows:

	<u>2008</u>	<u>2007</u>
Administration and servicing fees between Rental Fund, Homeownership Fund and Agency Fund	<u><u>\$ 10,056</u></u>	<u><u>\$ 5,881</u></u>

NOTE 6 - INTERGOVERNMENTAL RECEIVABLE AND PAYABLE

The Agency operates various Department of Housing and Urban Development (HUD) Section 8 rent subsidy programs. Under these programs the Agency draws down, in advance, sufficient funds to cover estimated rent subsidies. An estimate of rents is used because occupancy of rental units is not known until rent payments become due. The use of rent estimates result in over-and-under drawdowns of HUD funds. These amounts cannot be offset and are shown at year-end as intergovernmental receivables and payables as follows:

	<u>2008</u>	<u>2007</u>
Due from HUD	<u><u>\$ 204</u></u>	<u><u>\$ 167</u></u>
Due to HUD	<u><u>\$ 257</u></u>	<u><u>\$ 306</u></u>

NOTE 7 - EQUIPMENT

A summary of changes in equipment and accumulated depreciation is as follows:

	<u>Equipment</u>	<u>Accumulated Depreciation</u>	<u>Net Equipment</u>
Balance, June 30, 2006	\$ 220	\$ 220	<u><u>\$ -</u></u>
Additions	-		
Disposals	<u>-</u>	<u>-</u>	
Balance, June 30, 2007	220	220	<u><u>\$ -</u></u>
Additions	12	1	
Disposals	<u>(5)</u>	<u>(5)</u>	
Balance, June 30, 2008	<u><u>\$ 227</u></u>	<u><u>\$ 216</u></u>	<u><u>\$ 11</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OTHER RECEIVABLES

A detail of other receivables is as follows:

	<u>2008</u>	<u>2007</u>
Unrestricted:		
Receivable from developers	\$ 486	\$ 495
Accounts receivable	72	84
	<u>\$ 558</u>	<u>\$ 579</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

The Agency had the following transactions with related parties as of June 30, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents - unrestricted		
Bank of North Dakota	<u>\$ 2,460</u>	<u>\$ 1,194</u>
Cash and cash equivalents - restricted		
Bank of North Dakota	<u>\$ 10,155</u>	<u>\$ 8,305</u>
Due from state agencies		
Department of Commerce	\$ 76	\$ 30
Bank of North Dakota	47	81
	<u>\$ 123</u>	<u>\$ 111</u>
Due to state agencies		
Information Technology Department	\$ 6	\$ 5
Attorney General	3	1
Department of Transportation	1	1
	<u>\$ 10</u>	<u>\$ 7</u>

NOTES TO FINANCIAL STATEMENTS

	<u>2008</u>	<u>2007</u>
Loan payable to the Bank of North Dakota Bank of North Dakota	<u>\$ 3,587</u>	<u>\$ 2,104</u>
Transfers out Industrial Commission	<u>\$ 31</u>	<u>\$ 29</u>
Administrative and operating expenses		
Bank of North Dakota		
Line of credit interest expense	\$ 460	\$ 73
Information Technology Department		
Telephone	29	25
Data processing	44	40
Attorney General		
Legal fees	26	8
Office of Management and Budget		
Supplies	13	13
Indirect cost allocation	-	3
Risk management premium	3	3
Department of Transportation		
Travel	8	8
Human Resources Management Services		
Training	-	1
Roughrider Industries		
Supplies	-	3
ND State Radio Communications		
NCIC Access	1	1

NOTE 10 - OTHER LIABILITIES

A detail of other liabilities is as follows:

	<u>2008</u>	<u>2007</u>
Remarketing fees	\$ 54	\$ 50
Commitment fees	73	73
Accounts payable	544	509
Trustee fees	93	68
	<u>\$ 764</u>	<u>\$ 700</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – COMPENSATED ABSENCES

A summary of compensated absences follows:

	<u>2008</u>	<u>2007</u>
Beginning balance, July 1	\$ 170	\$ 168
Additions	133	125
Reductions	<u>(115)</u>	<u>(123)</u>
Ending balance, June 30	<u>\$ 188</u>	<u>\$ 170</u>
Amounts due within one year	<u>\$ 112</u>	<u>\$ 123</u>

NOTE 12 - BONDS PAYABLE

Change in Bonds Payable

A summary of changes in bonds payable follows:

	<u>Balance 2007</u>	<u>Additions (1)</u>	<u>Reductions (1)</u>	<u>Balance 2008</u>	<u>Amounts Due Within One Year</u>
Homeownership bond funds	<u>\$ 798,085</u>	<u>\$ 295,201</u>	<u>\$ 166,142</u>	<u>\$ 927,144</u>	<u>\$ 105,675</u>

	<u>Balance 2006</u>	<u>Additions (1)</u>	<u>Reductions (1)</u>	<u>Balance 2007</u>	<u>Amounts Due Within One Year</u>
Multifamily bond funds	\$ 7,680	\$ -	\$ 7,680	\$ -	\$ -
Homeownership bond funds	<u>750,564</u>	<u>170,000</u>	<u>122,479</u>	<u>798,085</u>	<u>16,395</u>
	<u>\$ 758,244</u>	<u>\$ 170,000</u>	<u>\$ 130,159</u>	<u>\$ 798,085</u>	<u>\$ 16,395</u>

(1) Includes accretion of bond discounts and changes in capital appreciation bonds.

Bonds Payable

The bonds of the various Agency funds have been issued to provide financing to purchase mortgage loans and to finance rental housing projects. The bonds are direct obligations of the Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolutions.

NOTES TO FINANCIAL STATEMENTS

Maturities of Bonds Payable

Maturities of principal and interest on all bonds are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 105,675	\$ 40,251	\$ 145,926
2010	78,850	35,789	114,639
2011	22,955	34,346	57,301
2012	23,505	33,360	56,865
2013	22,035	32,330	54,365
2014-2018	99,775	147,632	247,407
2019-2023	99,420	124,139	223,559
2024-2028	131,755	96,194	227,949
2029-2033	147,630	60,942	208,572
2034-2038	165,520	23,255	188,775
2039-2043	23,150	570	23,720
Discounts	(67)	67	-
Premiums	6,941	(6,941)	-
	<u>\$ 927,144</u>	<u>\$ 621,934</u>	<u>\$ 1,549,078</u>

Schedules of Bonds Payable

The following summarizes the Agency's bonds payable outstanding at June 30, 2008 and 2007. The term bonds of all bond series have mandatory sinking fund requirements. All of the bonds payable relate to the Agency's Homeownership Bond Fund.

	<u>Interest Rate</u>	<u>2008</u>	<u>2007</u>
Series 1996 C			
Serial bonds 7/1/03 - 7/1/12	4.90 - 5.75	\$ 1,255	\$ 1,495
Term bonds 7/1/17	5.95	750	945
Term bonds 7/1/28	6.10	980	1,335
Series 1996 D			
Serial bonds 7/1/03 - 1/1/13	4.75 - 5.60	1,520	1,785
Term bonds 1/1/18	5.80	1,165	1,405
Term bonds 1/1/29	5.90	2,510	3,070
Series 1997 A			
Serial bonds 7/1/03 - 7/1/12	5.0.0 - 5.90	535	645
Term bonds 7/1/17	6.00	95	240
Term bonds 7/1/27	6.15	85	220
Term bonds 1/1/28	6.15	-	25
Series 1997 B			
Serial bonds 7/1/03 - 7/1/12	4.80 - 5.50	480	560
Term bonds 7/1/17	5.75	530	555
Term bonds 7/1/28	5.85	945	990

NOTES TO FINANCIAL STATEMENTS

	Interest Rate	2008	2007
Series 1997 C			
Serial bonds 7/1/03 - 7/1/13	4.50 - 5.35	1,765	2,035
Term bonds 7/1/18	5.50	955	1,280
Term bonds 7/1/29 (not reoffered)	5.55	645	895
Term bonds 7/1/29	5.55	1,120	1,555
Series 1997 D			
Serial bonds 7/1/03 - 1/1/14	4.10 - 5.00	3,045	3,470
Term bonds 1/1/19	5.15	1,600	1,975
Term bonds 1/1/30	5.25	175	210
Term bonds 1/1/30 (not reoffered)	5.25	3,005	3,810
Series 1997 F			
Serial bonds 7/1/03 - 7/1/13	4.75 - 5.60	720	830
Term bonds 7/1/18	5.80	405	535
Term bonds 1/1/29	5.90	570	795
Series 1997 G			
Serial bonds 7/1/03 - 7/1/13	4.70 - 5.45	1,935	2,230
Term bonds 1/1/29	5.75	1,205	1,485
Term bonds 7/1/29	5.75	1,580	2,015
Series 1998A			
Serial bonds 7/1/03 - 7/1/13	4.40 - 5.15	2,190	2,530
Term bonds 7/1/18	5.25	1,235	1,645
Term bonds 1/1/23	4.60	55	75
Term bonds 1/1/28	5.35	670	890
Term bonds 7/1/28	5.35	1,060	1,500
Series 1998B			
Serial bonds 7/1/03 - 7/1/13	4.45 - 5.30	4,320	4,990
Term bonds 7/1/18	5.45	2,935	3,500
Term bonds 1/1/23	4.75	-	95
Term bonds 1/1/29 (not reoffered)	5.50	1,215	1,445
Term bonds 7/1/29	5.50	3,790	4,665
Series 1998E			
Serial bonds 7/1/03 - 7/1/13	4.10 - 5.00	1,210	1,395
Term bonds 7/1/18	5.15	900	1,030
Term bonds 7/1/29	4.60	-	65
Term bonds 1/1/30	5.25	2,400	2,830
Series 1998F			
Term bonds 7/1/18	5.28	2,800	3,365
Premium (discount)		(58)	(78)
Series 1999A			
Serial bonds 7/1/03 - 7/1/14	4.05 - 5.15	4,130	4,880
Term bonds 7/1/19	5.20	2,735	2,770
Term bonds 7/1/29	4.85	565	2,265
Term bonds 1/1/30	5.25	7,540	7,790
Series 1999B			
Term bonds 7/1/18	6.10	765	1,305
Premium (discount)		(9)	(17)

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NOTES TO FINANCIAL STATEMENTS

	Interest Rate	2008	2007
Series 1999D			
Serial bonds 7/1/03 - 7/1/14	4.75 - 5.80	2,385	2,740
Term bonds 7/1/19	5.95	1,325	1,400
Term bonds 7/1/29	5.40	185	1,345
Term bonds 1/1/30	6.00	4,260	4,595
Series 2000A			
Term bonds 7/1/30	5.70	735	2,300
Series 2000C			
Serial bonds 7/1/03 - 7/1/15	4.85 - 5.80	3,755	4,220
Term bonds 7/1/20	6.00	1,875	2,100
Term bonds 1/1/31	5.55	1,270	2,810
Term bonds 7/1/31	6.15	4,270	5,290
Series 2001A			
Serial bonds 7/1/03 - 7/1/14	3.90 - 5.15	5,460	6,255
Term bonds 7/1/21	5.45	4,745	5,310
Term bonds 7/1/31	4.70	2,285	4,195
Term bonds 7/1/31 (not reoffered)	5.55	4,105	4,590
Term bonds 1/1/32	5.55	6,965	8,030
Series 2001C			
Serial bonds 7/1/03 - 7/1/13	2.70 - 4.70	2,725	3,190
Term bonds 7/1/22	5.30	3,420	3,635
Term bonds 7/1/33	4.20	2,360	3,505
Term bonds 7/1/33 (not reoffered)	5.40	1,595	1,690
Term bonds 1/1/34	5.40	4,685	5,115
Series 2002A			
Serial bonds 7/1/04 - 7/1/13	3.35 - 5.15	3,175	3,710
Term bonds 1/1/22 (not reoffered)	5.55	1,390	1,575
Term bonds 7/1/22	5.55	2,040	2,320
PAC term bonds 7/1/33	5.00	3,300	4,645
Term bonds 7/1/33 (not reoffered)	5.65	2,715	3,090
Term bonds 1/1/34	5.65	3,275	3,940
Series 2002B			
Serial bonds 7/1/04 - 7/1/13	2.00 - 4.375	3,940	4,575
PAC term bonds 7/1/33	Variable	2,650	3,590
Term bonds 1/1/34	Variable	13,820	16,305
Series 2003A			
Serial bonds 7/1/05 - 7/1/14	1.65 - 4.00	4,810	5,515
Term bonds 1/1/23 (not reoffered)	4.60	-	375
Term bonds 7/1/23	4.60	-	95
PAC term bonds 1/1/34	Variable	4,325	5,545
Term bonds 7/1/34	Variable	10,385	13,955
Term bonds 1/1/35	Variable	12,490	12,490

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NOTES TO FINANCIAL STATEMENTS

	Interest Rate	2008	2007
Series 2003B			
Serial bonds 7/1/04 - 7/1/14	1.45 - 4.75	6,065	6,980
Term bonds 1/1/24 (not reoffered)	5.30	490	1,535
Term bonds 7/1/24	5.30	1,315	4,265
PAC term bonds 1/1/34	Variable	4,655	5,965
Term bonds 7/1/34	Variable	14,205	14,205
Term bonds 1/1/35	Variable	6,500	6,500
Series 2004B			
Serial bonds 7/1/05 - 7/1/11	1.60 - 3.70	3,305	4,075
Term bonds 1/1/15	4.25	835	835
Term bonds 7/1/15 (not reoffered)	4.25	1,345	1,615
Term bonds 7/1/24 (not reoffered)	4.65	-	3,550
PAC term bonds 1/1/35	Variable	7,615	9,555
Term bonds 7/1/35	Variable	12,990	12,990
Term bonds 1/1/36	Variable	10,500	10,500
Series 2004C			
Serial bonds 7/1/05 - 7/1/15	2.15 - 4.90	6,775	7,780
Term bonds 7/1/24	5.20	4,900	6,270
Term bonds 1/1/29	5.25	3,770	4,825
Term bonds 1/1/35 (not reoffered)	5.30	2,955	3,920
PAC term bonds 1/1/35	Variable	24,940	26,550
Term bonds 7/1/35	5.30	3,140	4,160
Series 2005A			
Serial bonds 1/1/06 - 7/1/15	2.90 - 4.60	14,850	23,020
Term bonds 7/1/24	Variable	23,100	23,100
Term bonds 1/1/36	Variable	23,100	23,100
Series 2005CD			
Serial bonds 7/1/06 - 7/1/16	3.05 - 4.45	20,610	22,470
Term bond 1/1/29	4.70	20,380	24,015
Term bond 1/1/36	Variable	12,000	12,000
Premium (discount)	4.10	-	547
Series 2006A			
Serial bonds 7/1/07 - 7/1/16	3.85 - 4.75	17,925	18,830
Term bond 7/1/21	4.85	10,885	11,240
Term bond 7/1/26	4.95	13,915	14,360
Term bond 7/1/31	5.00	17,520	18,435
Term bond 1/1/37	5.50	25,800	26,925
Term bond 7/1/37	Variable	30,210	30,210
Premium (discount)		1,388	1,388

NOTES TO FINANCIAL STATEMENTS

	Interest Rate	2008	2007
Series 2007AB			
Serial bonds 7/1/08 - 7/1/17	3.7 - 4.45	12,630	12,630
Term bond 7/1/21	4.60	4,730	4,730
Term bond 7/1/26	4.70	7,430	7,430
Term bond 7/1/31	4.75	9,575	9,575
Term bond 1/1/37	5.50	33,905	34,115
Term bond 7/1/37	4.80	16,470	16,520
Term bond 3/27/08	4.50	-	85,000
Premium (discount)		2,838	3,005
Series 2007CD			
Serial bonds 7/1/08 - 7/1/17	3.85 - 4.85	11,545	-
Term bond 7/1/22	5.20	6,350	-
Term bond 7/1/27	5.25	8,225	-
Term bond 1/1/38	5.75	29,925	-
Term bond 7/1/38	5.35	28,955	-
Term bond 10/8/08	4.25	85,000	-
Premium (discount)		1,854	-
Series 2008A			
Serial bonds 7/1/09 - 7/1/18	2.60 - 4.9	7,295	-
Term bond 7/1/23	5.40	4,670	-
Term bond 7/1/28	5.65	6,135	-
Term bond 7/1/32	5.80	6,310	-
Term bond 7/1/38	5.75	11,890	-
Term bond 1/1/39	Variable	13,700	-
Premium (discount)		644	-
Series 2008B			
Term bond 7/1/38	Variable	15,850	-
Series 2008C			
Term bond 4/14/09	3.00	56,275	-
Premium (discount)		217	-
		\$ 927,144	\$ 798,085

In prior years, the Agency defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Agency's financial statements. At June 30, 2008 and 2007, \$3,565 and \$4,670 of bonds outstanding are considered defeased. Additionally, the differences between the reacquisition price and the net carrying amount of the old debt were \$67 and \$95 as of June 30, 2008 and 2007. This amount is being amortized over the next 10 years using the bonds outstanding method.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – INTEREST RATE SWAP

Objective of the Interest Rate Swap

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance², the Agency entered into several interest rate swaps in connection with various variable-rate housing bond series¹. The intention of these swaps was to effectively change the Agency's interest rate on the bonds to a fixed rate.⁶

Terms

The bonds and the related swap agreements have a stated maturity date³, and the swap's notional amounts⁴ match the amount of variable-rate bonds⁵. Under the swaps, the authority pays the counterparty a fixed payment and receives a variable payment computed as a percent of the London Interbank Offered Rate (LIBOR)⁷ plus a fixed percentage⁸. On the other hand, the bond's variable-rate⁹ coupons are determined by the remarketing agent. If for any reason the remarketing agent fails to act, the rate shall be the lesser of (i) the TBMA Index plus 0.25% or (ii) the Maximum Rate as defined within the applicable series resolution.

Credit Risk

As of June 30, 2008, the Agency is exposed to credit risk on the swaps that have a positive fair value, which total \$75. Of the swaps with negative fair value, the agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on bonds. The swap counterparty has guaranteed all payments and is rated AA+/AA-/AA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into a Credit Support Agreement with Citigroup Global Marketing as a credit enhancement.

Fair Value

Due to the difference in the variable rate indices, the swaps had a net negative fair value¹⁰ of \$4,430 as of June 30, 2008. The coupon on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

Basis Risk

The swap exposes the Agency to basis risk should the relationship between LIBOR and the actual variable rates converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate⁶ and the synthetic rate¹² as of June 30, 2008. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

NOTES TO FINANCIAL STATEMENTS

Termination Risk

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination event.” That is, the swap may be terminated if counterparty’s credit quality rating falls below “A3” as issued by Moody’s Investors Service or “A-” as issued by Fitch Ratings or Standard & Poor’s. The swap may be terminated at any time by the Agency or the counterparty with 30 days written notice up to limits specified in the swap agreement. If the swap or swaps were terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of terminations the swap has a negative fair value, the Agency would be liable to the counterparty for payment equal to the swap’s fair value, but in the event the fair value is positive, the counterparty would be liable to the Agency.

1	Bond Series	2002 B	2002 B	2003 A	2003 A
2	Issuance Date	8/28/2002	8/28/2002	5/14/2003	5/14/2003
3	Maturity Date	1/1/2034	7/1/2011	7/1/2034	1/1/2012
4	Notional Amount	16,210	2,650	12,955	4,325
5	Variable-rate Bonds	16,210	2,650	12,955	4,325
6	Fixed Rate	4.470%	2.940%	4.035%	2.463%
7	LIBOR Percentage	68.70%	70.60%	62.50%	62.50%
8	Additional Percentage	0.00%	0.00%	0.44%	0.44%
9	Bonds Variable-rate	1.67000%	1.67000%	1.67000%	1.67000%
10	Fair Value	(164)	(27)	61	14
11	Percentage of LIBOR	3.65484%	3.75592%	3.76500%	3.76500%
12	Synthetic Rate	2.48516%	0.85408%	1.94000%	0.36800%
13	Actual Synthetic Rate	4.56389%	3.04209%	3.90665%	2.35643%
1	Bond Series	2003 B	2003 B	2004 B	2004 B
2	Issuance Date	8/27/2003	8/27/2003	4/1/2004	4/1/2004
3	Maturity Date	1/1/2012	7/1/2034	1/1/2013	7/1/2035
4	Notional Amount	4,655	14,205	7,615	12,990
5	Variable-rate Bonds	4,655	14,205	7,615	12,990
6	Fixed Rate	3.155%	4.530%	2.620%	3.980%
7	LIBOR Percentage	64.00%	64.00%	63.00%	63.00%
8	Additional Percentage	0.365%	0.365%	0.34%	0.34%
9	Bonds Variable-rate	1.67000%	1.67000%	1.67000%	1.67000%
10	Fair Value	(55)	(482)	(4)	(191)
11	Percentage of LIBOR	3.76980%	3.76980%	3.69160%	3.69160%
12	Synthetic Rate	1.05520%	2.43020%	0.59840%	1.95840%
13	Actual Synthetic Rate	3.08017%	4.44625%	2.60458%	3.95900%

NOTES TO FINANCIAL STATEMENTS

1	Bond Series	2004 C	2005 A	2005 C	2006 A
2	Issuance Date	6/10/2004	4/13/2005	9/21/2005	5/4/2006
3	Maturity Date	1/1/2035	7/1/2024	1/1/2036	7/1/2016
4	Notional Amount	24,940	23,100	12,000	30,210
5	Variable-rate Bonds	24,940	23,100	12,000	30,210
6	Fixed Rate	4.095%	3.870%	3.889%	3.955%
7	LIBOR Percentage	63.00%	62.90%	63.00%	63.00%
8	Additional Percentage	0.34%	0.32%	0.31%	0.31%
9	Bonds Variable-rate	1.67000%	1.67000%	1.67000%	1.67000%
10	Fair Value	(836)	(536)	(112)	(1,918)
11	Percentage of LIBOR	3.69160%	3.66628%	3.66160%	3.66160%
12	Synthetic Rate	2.07340%	1.87372%	1.89740%	1.96340%
13	Actual Synthetic Rate	4.07497%	3.84860%	3.86760%	3.92942%

1	Bond Series	2008 A	2008 B
2	Issuance Date	2/26/2008	2/26/2008
3	Maturity Date	1/1/2017	7/1/2038
4	Notional Amount	13,700	15,850
5	Variable-rate Bonds	13,700	15,850
6	Fixed Rate	3.198%	4.725%
7	LIBOR Percentage	63.00%	100.00%
8	Additional Percentage	0.32%	0.00%
9	Bonds Variable-rate	1.67000%	2.60000%
10	Fair Value	(71)	(109)
11	Percentage of LIBOR	3.67160%	5.32000%
12	Synthetic Rate	1.19640%	2.00500%
13	Actual Synthetic Rate	3.10917%	4.87395%

Swap Payments and Associated Debt

Using rates as of June 30, 2008, debt service requirements of the variable-rate debt and new swap payments are as follows. Interest calculations were based on rates as of June 30, 2008. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal year Ending June 30	Variable-Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2009	\$ 7,270	\$ 3,318	\$ 264	\$ 10,852
2010	7,595	3,181	312	11,088
2011	7,495	3,043	360	10,898
2012	6,480	2,918	401	9,799
2013	3,765	2,830	418	7,013
2014-2018	61,785	11,884	1,989	75,658
2019-2023	20,425	7,691	1,819	29,935
2024-2028	25,770	5,717	1,458	32,945
2029-2033	37,665	2,984	709	41,358
2034-2038	16,625	322	25	16,972
2039-2043	530	-		530
	<u>\$ 195,405</u>	<u>\$ 43,888</u>	<u>\$ 7,755</u>	<u>\$ 247,048</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – LOAN FROM BANK OF NORTH DAKOTA

Changes in Loan from Bank of North Dakota

The following is a summary of changes in loan from the Bank of North Dakota for the years ended June 30, 2008 and 2007:

Balance, June 30, 2006	\$ 76
Principal payments on advance from Bank of North Dakota	(2,971)
Loan advance from Bank of North Dakota	<u>4,999</u>
Balance, June 30, 2007	2,104
Principal payments on advance from Bank of North Dakota	(15,732)
Loan advance from Bank of North Dakota	<u>17,215</u>
Balance, June 30, 2008	<u>\$ 3,587</u>

As of June 30, 2008, the above line of credit with the Bank of North Dakota is secured by the mortgages funded by the advances, has a credit limit of \$50,000,000 and expires on April 22, 2009. The line of credit bears interest at 70 basis points over the 90 day LIBOR index.

NOTE 15 - PENSION PLAN

The North Dakota Housing Finance Agency participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. The following is a brief description of the plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of the North Dakota Housing Finance Agency. The plan provides retirement, disability, and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employees' accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days of service receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

NOTES TO FINANCIAL STATEMENTS

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 4% of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The North Dakota Housing Finance Agency has implemented a salary reduction agreement and is currently contributing the employees' share. The North Dakota Housing Finance Agency is required to contribute 4.12% of each participant's salary as the employer's share. In addition to the 4.12% employer contribution, the employer is required to contribute 1% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. The North Dakota Housing Finance Agency's required and actual contributions to NDPERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$149, \$130, and \$124.

NDPERS issues a publicly available report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 E. Broadway, Suite 505; P.O. Box 1657; Bismarck, ND 58502-1657.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Amounts received from federal grantor agencies are subject to audit and adjustment by the federal grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor will be recognized in the year determined.

In the normal course of business, the Agency makes various commitments that are not reflected in the accompanying financial statements. These commitments include commitments to extend credit and the debt reduction required when related loan acquisition funds are not drawn down within prescribed time frames set by the specific bond resolutions.

The Agency's exposure to credit loss is represented by the contractual amount of these commitments. The Agency follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

	<u>2008</u>	<u>2007</u>
Commitments to extend credit	<u>\$ 531</u>	<u>\$ 44,150</u>
Lendable proceeds uncommitted	<u>\$ 6,589</u>	<u>\$ 51,546</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Agency, is based on management's credit evaluation of the customer.

The Bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reductions.

NOTES TO FINANCIAL STATEMENTS

During 2008, the Agency also entered into agreements to guarantee loans owned by financial institutions in the amount of \$864.

NOTE 17 - REBATE DUE TO IRS

A detail of the cumulative rebate at June 30 is as follows:

	<u>2008</u>	<u>2007</u>
Series 96 BCDE	\$ 41	\$ 34
Series 97 BCDE	143	134
Series 97 F	5	8
Series 97 G	20	36
Series 98 A	9	23
Series 98 BCD	164	162
Series 98E	19	17
Series 99 AC	98	85
Series 99DE	79	68
Series 00AB	118	105
Series 00CD	181	161
Series 01A	62	44
Series 06A	89	45
Series 07AB	1,021	417
Series 07CD	177	-
Series 08C	6	-
	<u>\$ 2,232</u>	<u>\$ 1,339</u>

A summary of the rebate due to IRS follows:

	<u>2008</u>	<u>2007</u>
Beginning balance, July 1	\$ 1,339	\$ 1,050
Additions	932	533
Reductions	<u>(39)</u>	<u>(244)</u>
Ending balance, June 30	<u>\$ 2,232</u>	<u>\$ 1,339</u>
Amounts due within one year	<u>\$ 192</u>	<u>\$ 26</u>

NOTE 18 – FUND NET ASSETS

Based on certain bond covenants, all assets and fund net assets of the Homeownership Bond fund is reserved for debt service.

NOTES TO FINANCIAL STATEMENTS

The Agency operating fund has investment securities pledged under the 1994 General Bond Resolution. As a result, the Agency operating fund has restricted net assets for this amount. All Agency net assets are a reserved general obligation of the bond series. The general obligation (issuer) rating by Moody's Investor Service (a national financial rating service) is influenced by the relationship of Agency net assets to several other financial statement factors and major investors monitor the amount of net assets as additional collateral for the publicly traded bond investments.

NOTE 19 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees, and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250 per person and \$1,000 per occurrence.

The Agency also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Agency pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period. The State Bonding Fund currently provides the Agency with blanket fidelity bond coverage in the amount of \$1,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Agency, as a contributor to RMF, participates in the North Dakota Workforce Safety & Insurance (NDWSI), an Enterprise Fund of the State of North Dakota. The NDWSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 20 – OPERATING LEASES

The Agency leases office space and office equipment classified as operating leases expiring during the next two years. Following is a schedule by years of future minimum rental payments required under the operating leases:

<u>Year ending June 30</u>	
2009	\$ 118
2010	10
	<u>\$ 128</u>

Total rental expense on operating leases was \$120 and \$115 for the years ended June 30, 2008 and 2007.

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NOTES TO FINANCIAL STATEMENTS

NOTE 21 - SEGMENT INFORMATION

The Agency maintains two Enterprise Funds which provide loans to finance construction of residential housing and single family homeownership. Segment information for the year ended June 30, 2008, was as follows:

	Agency Operating Funds	Home- ownership Bond Funds	Elimina- tions	Total Enterprise Funds
Balance Sheet				
Current assets - other	\$ 22,063	\$ 266,714	\$ (10,059)	\$ 278,718
Noncurrent assets - other	14,390	768,312	3	782,705
Total assets	36,453	1,035,026	(10,056)	1,061,423
Current liabilities - other	20,689	129,436	(10,056)	140,069
Noncurrent liabilities - other	76	823,509		823,585
Total liabilities	20,765	952,945	(10,056)	963,654
Invested in capital assets	11	-		11
Net assets - unrestricted	15,677	-		15,677
Net assets - restricted	-	82,081		82,081
Total net assets	15,688	82,081		97,769
Statement of Revenues, Expenses and Change in Fund Net Assets				
Operating revenues				
Mortgage interest income	666	39,920	\$	40,586
Investment income	-	11,422		11,422
Fee income	6,648	-	(5,119)	1,529
Other operating expenses	6,269	45,505	(5,119)	46,655
Operating income	1,045	5,837		6,882
Nonoperating revenues (expenses)				
HUD grants	12,156	-		12,156
Investment income	2,130	-		2,130
HUD grants	(12,156)	-		(12,156)
Transfers	31	-		31
Change in net assets	3,144	5,837		8,981
Total net assets, beginning of year	12,752	76,036		88,788
Equity transfer in (out)	(208)	208		-
Total net assets, end of year	15,688	82,081		97,769

NOTES TO FINANCIAL STATEMENTS

	Agency Operating Funds	Home- ownership Bond Funds	Elimina- tions	Total Enterprise Funds
Statement of Cash Flows				
Net cash (used in) from operating activities	\$ 27	\$ (71,756)	\$ 1	\$ (71,728)
Net cash from noncapital financing activities	785	90,738	(1)	91,522
Net cash used for capital and related financing activities	(11)	-	-	(11)
Net cash from (used for) investing activities	2,181	(19)	-	2,162
Net change in cash and cash equivalents	2,982	18,963	-	21,945
Cash and cash equivalents, beginning of year	9,639	227,731	-	237,370
Cash and cash equivalents, end of year	12,621	246,694	-	259,315

NOTE 22 - SUBSEQUENT EVENT

Subsequent to June 30, 2008, the Agency issued the 2008 Series D Housing Finance Program Bonds. The 2008 Series D bond issuance was \$130,000.

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING BALANCE SHEETS
JUNE 30, 2008 AND 2007
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds	Total	Elimination	Totals	
					2008	2007
ASSETS						
CURRENT ASSETS - UNRESTRICTED						
Cash and cash equivalents	\$ 2,467	\$ -	\$ 2,467	\$ -	\$ 2,467	\$ 1,334
Investments	-	-	-	-	-	1,307
Due from State Agencies	123		123		123	111
Receivables			-			
Interest			-			
Loans	23		23		23	15
Investments	215		215		215	218
Due from HUD	204		204		204	167
Other	8,257		8,257	(1) (7,699)	558	579
Current portion of service release premium, net	424		424		424	357
Prepaid expenses	17	7	24		24	35
Total unrestricted current assets	<u>11,730</u>	<u>7</u>	<u>11,737</u>	<u>(7,699)</u>	<u>4,038</u>	<u>4,123</u>
CURRENT ASSETS - RESTRICTED						
Cash and cash equivalents	10,154	246,694	256,848		256,848	236,036
Receivables						
Current portion of loans receivable	179	14,424	14,603		14,603	12,556
Interest			-			
Loans		3,185	3,185		3,185	2,693
Investments		44	44		44	59
Other		2,360	2,360	(1) (2,360)	-	-
Total restricted current assets	<u>10,333</u>	<u>266,707</u>	<u>277,040</u>	<u>(2,360)</u>	<u>274,680</u>	<u>251,344</u>
Total current assets	<u>22,063</u>	<u>266,714</u>	<u>288,777</u>	<u>(10,059)</u>	<u>278,718</u>	<u>255,467</u>
NONCURRENT ASSETS - UNRESTRICTED						
Service release premium, net	2,877		2,877		2,877	2,360
Investments	5,304		5,304		5,304	-
Equipment, net	11		11		11	-
Total unrestricted noncurrent assets	<u>8,192</u>	<u>-</u>	<u>8,192</u>		<u>8,192</u>	<u>2,360</u>
NONCURRENT ASSETS - RESTRICTED						
Loans receivable, net of current portion	6,198	748,267	754,465		754,465	635,443
Investments	-	13,262	13,262		13,262	17,287
Deferred bond financing costs, net	-	6,783	6,783	(1) 3	6,786	6,138
Total restricted noncurrent assets	<u>6,198</u>	<u>768,312</u>	<u>774,510</u>	<u>3</u>	<u>774,513</u>	<u>658,868</u>
Total noncurrent assets	<u>14,390</u>	<u>768,312</u>	<u>782,702</u>	<u>3</u>	<u>782,705</u>	<u>661,228</u>
Total assets	<u>\$ 36,453</u>	<u>\$ 1,035,026</u>	<u>\$ 1,071,479</u>	<u>\$ (10,056)</u>	<u>\$ 1,061,423</u>	<u>\$ 916,695</u>

(continued on next page)

COMBINING BALANCE SHEETS – page 2

	Agency Operating Funds	Homeownership Bond Funds	Total	Elimination	Totals	
					2008	2007
LIABILITIES						
CURRENT LIABILITIES						
Due to HUD	\$ 257	\$	\$ 257	\$	\$ 257	\$ 306
Due to State Agencies	10		10		10	7
Current portion of rebate due to IRS		192	192		192	26
Other	6,568	4,252	10,820	(1) (10,056)	764	700
Current portion of compensated absences	112		112		112	123
Current portion of bonds payable	-	105,675	105,675		105,675	16,395
Loan from Bank of North Dakota	3,587		3,587		3,587	2,104
Accrued interest	1	19,317	19,318		19,318	16,892
Funds held in trust	10,154		10,154		10,154	8,304
Total current liabilities	<u>20,689</u>	<u>129,436</u>	<u>150,125</u>	<u>(10,056)</u>	<u>140,069</u>	<u>44,857</u>
NONCURRENT LIABILITIES						
Compensated absences, net of current portion	76		76		76	47
Rebate due to IRS, net of current portion		2,040	2,040		2,040	1,313
Bonds payable, net of current portion		821,469	821,469	-	821,469	781,690
Total noncurrent liabilities	<u>76</u>	<u>823,509</u>	<u>823,585</u>	<u>-</u>	<u>823,585</u>	<u>783,050</u>
Total liabilities	<u>20,765</u>	<u>952,945</u>	<u>973,710</u>	<u>(10,056)</u>	<u>963,654</u>	<u>827,907</u>
NET ASSETS						
Invested in capital assets	11		11		11	-
Restricted for pledged assets			-		-	4,045
Restricted for debt service		82,081	82,081		82,081	76,036
Unrestricted	15,677		15,677		15,677	8,707
Total net assets	<u>15,688</u>	<u>82,081</u>	<u>97,769</u>	<u>-</u>	<u>97,769</u>	<u>88,788</u>
Total liabilities and net assets	<u>\$ 36,453</u>	<u>\$ 1,035,026</u>	<u>\$ 1,071,479</u>	<u>\$ (10,056)</u>	<u>\$ 1,061,423</u>	<u>\$ 916,695</u>

(1) Eliminate inter-agency activity

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007
(In Thousands)

	Agency Operating Funds	Home- ownership Bond Funds	Total	Elimina- tions	Totals	
					2008	2007
OPERATING REVENUES						
Mortgage interest income	\$ 666	\$ 39,920	\$ 40,586	\$ -	\$ 40,586	\$ 34,738
Investment income		11,422	11,422		11,422	8,919
Fee income	6,648		6,648	(1) (5,119)	1,529	1,480
Total revenues	<u>7,314</u>	<u>51,342</u>	<u>58,656</u>	<u>(5,119)</u>	<u>53,537</u>	<u>45,137</u>
OPERATING EXPENSES						
Interest expense		39,334	39,334		39,334	33,381
Agency grants	596		596		596	560
Amortization of deferred bond financing costs		968	968		968	951
Administrative and operating expenses	3,449	5,203	8,652	(1) (5,119)	3,533	2,219
Salaries and benefits	2,223		2,223		2,223	1,915
Depreciation	1		1		1	-
Total expenses	<u>6,269</u>	<u>45,505</u>	<u>51,774</u>	<u>(5,119)</u>	<u>46,655</u>	<u>39,026</u>
OPERATING INCOME	<u>1,045</u>	<u>5,837</u>	<u>6,882</u>		<u>6,882</u>	<u>6,111</u>
NONOPERATING REVENUE (EXPENSES)						
HUD grants	12,156		12,156		12,156	12,158
Investment income (loss)	2,130		2,130		2,130	1,571
HUD grants	(12,156)		(12,156)		(12,156)	(12,158)
	<u>2,130</u>	<u>-</u>	<u>2,130</u>	<u>-</u>	<u>2,130</u>	<u>1,571</u>
INCOME BEFORE TRANSFERS	<u>3,175</u>	<u>5,837</u>	<u>9,012</u>		<u>9,012</u>	<u>7,682</u>

(continued on next page)

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS – page 2

	Agency Operating Funds	Home- ownership Bond Funds	Total	Elimina- tions	Totals	
					2008	2007
TRANSFERS OUT						
Transfer to Industrial Commission	31		31		31	29
CHANGE IN NET ASSETS	3,144	5,837	8,981		8,981	7,653
TOTAL NET ASSETS, BEGINNING OF YEAR	12,752	76,036	88,788		88,788	81,135
EQUITY TRANSFER IN (OUT)	(208)	208				
TOTAL NET ASSETS, END OF YEAR	\$ 15,688	\$ 82,081	\$ 97,769	\$ -	\$ 97,769	\$ 88,788

(1) To eliminate inter-agency activity

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	Agency Operating Funds	Home- ownership Bond Funds	Total	Elimination	Totals	
					2008	2007
OPERATING ACTIVITIES						
Receipts from customers	\$ 22,346	\$ 73,433	\$ 95,779	\$ (10,489)	\$ 85,290	\$ 122,811
Payments of grants	(683)	-	(683)	-	(683)	(614)
Payments to service providers						
State agencies	(135)	-	(135)	-	(135)	(253)
Other	(19,282)	(146,082)	(165,364)	10,490	(154,874)	(153,699)
Payments to employees	(2,219)	-	(2,219)	-	(2,219)	(1,910)
Payment of rebate to IRS	-	893	893	-	893	289
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>27</u>	<u>(71,756)</u>	<u>(71,729)</u>	<u>1</u>	<u>(71,728)</u>	<u>(33,376)</u>
NONCAPITAL FINANCING ACTIVITIES						
Principal payments on notes and bonds	(15,732)	6,763	(8,969)	-	(8,969)	(133,257)
Proceeds from note borrowings and bond issuance	17,216	122,295	139,511	-	139,511	175,125
Interest paid on notes and bonds	(460)	(36,913)	(37,373)	-	(37,373)	(31,809)
Payment of bond issue costs	-	(1,615)	(1,615)	(1)	(1,616)	(1,118)
Transfer to Industrial Commission	(31)	-	(31)	-	(31)	(29)
Interfund transfer in (out)	<u>(208)</u>	<u>208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash from (used for) noncapital financing activities	<u>785</u>	<u>90,738</u>	<u>91,523</u>	<u>(1)</u>	<u>91,522</u>	<u>8,912</u>

(continued on next page)

COMBINING STATEMENTS OF CASH FLOWS – page 2

	Agency Operating Funds	Home- ownership Bond Funds	Total	Elimination	Totals	
					2008	2007
CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of equipment	(11)	-	(11)		(11)	-
Net cash used for capital and related financing activities	(11)	-	(11)	-	(11)	-
INVESTING ACTIVITIES						
Purchase of investments	-	-	-		-	(13,047)
Proceeds from sale of investments	184	-	184		184	22,039
Interest received from investments	1,997	(19)	1,978		1,978	2,073
Net cash from (used for) investing activities	2,181	(19)	2,162		2,162	11,065
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,982	18,963	21,945		21,945	(13,399)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,639	227,731	237,370		237,370	250,769
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 12,621	\$ 246,694	\$ 259,315	\$ -	\$ 259,315	\$ 237,370

(continued on next page)

COMBINING STATEMENTS OF CASH FLOWS – page 3

	Agency Operating Funds	Home- ownership Bond Funds	Total	Elimination	Totals	
					2008	2007
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income	\$ 1,045	\$ 5,837	\$ 6,882	\$	\$ 6,882	\$ 6,111
Adjustments to reconcile operating income to net cash (used in) from operating activities						
Depreciation	1	-	1		1	-
Amortization						
Deferred fee income/loan discounts	(58)	(2,678)	(2,736)		(2,736)	(2,122)
DBFC and original issue discounts		968	968		968	951
Service release premiums	(584)	-	(584)		(584)	(414)
Rebate due to IRS		893	893		893	289
Loan principal repayments	16,247	26,406	42,653	(14,665)	27,988	76,387
Loan purchases	(17,419)	(143,566)	(160,985)	14,665	(146,320)	(148,627)
Interest received on mortgage loans	666	39,920	40,586		40,586	34,738
Reclassification of investment income/expense to other activities	(215)	(1,061)	(1,276)		(1,276)	(1,164)
Changes in assets and liabilities						
Due from HUD	(37)	-	(37)		(37)	(10)
Due from State Agencies	(12)	-	(12)		(12)	(29)
Other receivables	(3,004)	(1,151)	(4,155)	4,176	21	(58)
Prepaid expenses	11	-	11		11	(9)
Due to HUD	(49)	-	(49)		(49)	(43)
Due to State Agencies	3	-	3		3	(54)
Other liabilities	1,569	2,676	4,245	(4,175)	70	163
Compensated absences	18		18		18	2
Funds held in trust	1,849		1,849		1,849	513
Deferred credits and revenues	(4)	-	(4)		(4)	-
Net cash (used in) from operating activities	<u>\$ 27</u>	<u>\$ (71,756)</u>	<u>\$ (71,729)</u>	<u>\$ 1</u>	<u>\$ (71,728)</u>	<u>\$ (33,376)</u>
Non-cash disclosures						
Increase (decrease) in fair value of investments	<u>\$ 135</u>	<u>\$ 20</u>	<u>\$ 155</u>		<u>\$ 155</u>	<u>\$ (498)</u>

NORTH DAKOTA HOUSING FINANCE AGENCY
SEGMENT INFORMATION
JUNE 30, 2008
(In Thousands)

FINANCIAL DATA	2008	2007
<u>Total Assets</u>		
Agency Fund	\$ 36,453	\$ 28,646
1994 General Pledged	13,076	13,047
1994 D/E Homeownership Fund	6,104	5,515
1996 C Homeownership Fund	5,263	5,924
1996 D Homeownership Fund	5,386	6,294
1997 A Homeownership Fund	1,707	2,073
1997 B Homeownership Fund	2,200	2,319
1997 C Homeownership Fund	5,259	6,509
1997 D Homeownership Fund	8,544	10,069
1997 F Homeownership Fund	2,333	2,776
1997 G Homeownership Fund	5,994	6,967
1998 A Homeownership Fund	6,503	7,884
1998 B Homeownership Fund	14,331	16,658
1998 E Homeownership Fund	5,745	6,528
1998 F Homeownership Fund	1,577	2,015
1999 A Homeownership Fund	16,838	19,198
1999 B Homeownership Fund	893	957
1999 D Homeownership Fund	9,467	11,388
2000 A Homeownership Fund	11,702	12,878
2000 C Homeownership Fund	14,046	17,200
2001 A Homeownership Fund	25,104	29,945
2001 C Homeownership Fund	15,541	17,870
2002 A Homeownership Fund	16,896	20,271
2002 B Homeownership Fund	21,294	25,331
2002 C Homeownership Fund	24,780	25,062
2003 A Homeownership Fund	34,062	39,861
2003 B Homeownership Fund	36,277	42,416
2004 B Homeownership Fund	38,726	45,012
2004 C Homeownership Fund	48,476	55,489
2005 A Homeownership Fund	64,259	71,605
2005 C Homeownership Fund	56,058	61,503
2006 A Homeownership Fund	122,846	126,245
2007 AB Homeownership Fund	92,274	177,120
2007CD Homeownership Fund	177,131	-
2008 A Homeownership Fund	51,153	-
2008B Homeownership Fund	16,233	-
2008 C Homeownership Fund	56,943	-
	<u>\$ 1,071,474</u>	<u>\$ 922,575</u>

Note: Interfund receivables and payables have not been eliminated in the segment information.

SEGMENT INFORMATION – page 2

	<u>2008</u>	<u>2007</u>
<u>Bonds Payable, Net of Discount</u>		
1996 C Homeownership Fund	\$ 2,985	\$ 3,775
1996 D Homeownership Fund	5,195	6,260
1997 A Homeownership Fund	715	1,130
1997 B Homeownership Fund	1,955	2,105
1997 C Homeownership Fund	4,485	5,765
1997 D Homeownership Fund	7,825	9,465
1997 F Homeownership Fund	1,695	2,160
1997 G Homeownership Fund	4,720	5,730
1998 A Homeownership Fund	5,210	6,640
1998 B Homeownership Fund	12,260	14,695
1998 E Homeownership Fund	4,510	5,320
1998 F Homeownership Fund	2,741	3,287
1999 A Homeownership Fund	14,970	17,705
1999 B Homeownership Fund	756	1,288
1999 D Homeownership Fund	8,155	10,080
2000 A Homeownership Fund	735	2,300
2000 C Homeownership Fund	11,170	14,420
2001 A Homeownership Fund	23,560	28,380
2001 C Homeownership Fund	14,785	17,135
2002 A Homeownership Fund	15,895	19,280
2002 B Homeownership Fund	20,410	24,470
2003 A Homeownership Fund	32,010	37,975
2003 B Homeownership Fund	33,230	39,450
2004 B Homeownership Fund	36,590	43,120
2004 C Homeownership Fund	46,480	53,505
2005 A Homeownership Fund	61,050	69,220
2005 C Homeownership Fund	52,990	59,032
2006 A Homeownership Fund	117,643	121,388
2007 AB Homeownership Fund	87,578	173,005
2007 CD Homeownership Fund	171,854	-
2008 A Homeownership Fund	50,645	-
2008 B Homeownership Fund	15,850	-
2008 C Homeownership Fund	56,492	-
	<u>\$ 927,144</u>	<u>\$ 798,085</u>

Note: Interfund receivables and payables have not been eliminated in the segment information.

SEGMENT INFORMATION – page 3

	2008	2007
Net Assets (Deficits)		
Reserved for Debt Service		
1994 General Pledged	\$ 13,076	\$ 13,047
1994 D/E Homeownership Fund	4,955	4,939
1996 C Homeownership Fund	2,128	2,000
1996 D Homeownership Fund	18	(155)
1997 A Homeownership Fund	964	907
1997 B Homeownership Fund	35	13
1997 C Homeownership Fund	625	567
1997 D Homeownership Fund	484	352
1997 F Homeownership Fund	572	537
1997 G Homeownership Fund	1,091	1,019
1998 A Homeownership Fund	1,115	1,024
1998 B Homeownership Fund	1,504	1,354
1998 E Homeownership Fund	1,078	1,050
1998 F Homeownership Fund	(1,248)	(1,367)
1999 A Homeownership Fund	1,309	921
1999 B Homeownership Fund	109	(374)
1999 D Homeownership Fund	945	913
2000 A Homeownership Fund	10,777	10,382
2000 C Homeownership Fund	2,313	2,187
2001 A Homeownership Fund	729	684
2001 C Homeownership Fund	325	296
2002 A Homeownership Fund	486	412
2002 B Homeownership Fund	324	289
2002 C Homeownership Fund	24,780	25,062
2003 A Homeownership Fund	1,414	1,159
2003 B Homeownership Fund	2,292	2,095
2004 B Homeownership Fund	1,399	1,059
2004 C Homeownership Fund	808	703
2005 A Homeownership Fund	1,909	936
2005 C Homeownership Fund	1,767	1,178
2006 A Homeownership Fund	1,896	1,878
2007 AB Homeownership Fund	1,260	969
2007 CD Homeownership Fund	835	-
2008 A Homeownership Fund	(144)	-
2008 B Homeownership Fund	151	-
Restricted - Other		
Agency Fund	-	4,045
Unrestricted		
Agency Fund	15,688	8,707
	<u>\$ 97,769</u>	<u>\$ 88,788</u>

Note: Interfund receivables and payables have not been eliminated in the segment information.

SEGMENT INFORMATION – page 4

OPERATING DATA	2008	2007
<u>Revenues</u>		
Agency Fund	\$ 7,314	\$ 4,743
1990 A-F Multifamily Fund	-	255
1994 D/E Homeownership Fund	328	334
1995 A Homeownership Fund	-	51
1996 C Homeownership Fund	357	413
1996 D Homeownership Fund	303	361
1997 A Homeownership Fund	118	158
1997 B Homeownership Fund	129	141
1997 C Homeownership Fund	341	425
1997 D Homeownership Fund	514	604
1997 F Homeownership Fund	156	191
1997 G Homeownership Fund	394	462
1998 A Homeownership Fund	399	488
1998 B Homeownership Fund	879	1,010
1998 E Homeownership Fund	319	364
1998 F Homeownership Fund	119	147
1999 A Homeownership Fund	948	1,105
1999 B Homeownership Fund	63	67
1999 D Homeownership Fund	620	728
2000 A Homeownership Fund	785	917
2000 C Homeownership Fund	954	1,158
2001 A Homeownership Fund	1,577	1,859
2001 C Homeownership Fund	909	1,034
2002 A Homeownership Fund	1,111	1,339
2002 B Homeownership Fund	1,197	1,408
2002 C Homeownership Fund	1,625	1,155
2003 A Homeownership Fund	1,715	1,974
2003 B Homeownership Fund	1,959	2,221
2004 A Homeownership Fund	-	405
2004 B Homeownership Fund	2,041	2,278
2004 C Homeownership Fund	2,771	3,061
2005 A Homeownership Fund	3,015	3,252
2005 B Homeownership Fund	-	322
2005 C Homeownership Fund	2,851	4,362
2006 A Homeownership Fund	6,440	6,895
2007 AB Homeownership Fund	7,707	2,576
2007 CD Homeownership Fund	7,580	-
2008 A Homeownership Fund	525	-
2008 B Homeownership Fund	220	-
2008 C Homeownership Fund	373	-
	<u>\$ 58,656</u>	<u>\$ 48,263</u>

Note: Interfund receivables and payables have not been eliminated in the segment information.

SEGMENT INFORMATION – page 5

	2008	2007
<u>Interest Expense</u>		
1995 A/B Multifamily Fund	\$ -	\$ 232
1996 C Homeownership Fund	188	234
1996 D Homeownership Fund	310	374
1997 A Homeownership Fund	47	85
1997 B Homeownership Fund	114	127
1997 C Homeownership Fund	258	331
1997 D Homeownership Fund	420	507
1997 F Homeownership Fund	102	132
1997 G Homeownership Fund	274	341
1998 A Homeownership Fund	284	367
1998 B Homeownership Fund	689	834
1998 E Homeownership Fund	245	291
1998 F Homeownership Fund	174	196
1999 A Homeownership Fund	794	948
1999 B Homeownership Fund	59	89
1999 D Homeownership Fund	510	610
2000 A Homeownership Fund	60	158
2000 C Homeownership Fund	704	889
2001 A Homeownership Fund	1,321	1,541
2001 C Homeownership Fund	759	873
2002 A Homeownership Fund	895	1,095
2002 B Homeownership Fund	943	1,070
2003 A Homeownership Fund	1,132	1,410
2003 B Homeownership Fund	1,420	1,698
2004 A Homeownership Fund	-	47
2004 B Homeownership Fund	1,328	1,584
2004 C Homeownership Fund	2,198	2,450
2005 A Homeownership Fund	2,299	2,748
2005 B Homeownership Fund	-	209
2005 C Homeownership Fund	1,805	3,712
2006 A Homeownership Fund	5,555	5,600
2007 AB Homeownership Fund	6,857	2,526
2007 CD Homeownership Fund	6,395	-
2008 A Homeownership Fund	618	-
2008 B Homeownership Fund	204	-
2008 C Homeownership Fund	373	-
Agency Fund	460	74
	<u>\$ 39,794</u>	<u>\$ 33,381</u>

Note: Interfund receivables and payables have not been eliminated in the segment information.

SEGMENT INFORMATION – page 6

	<u>2008</u>	<u>2007</u>
<u>Change in net assets</u>		
Agency Fund	\$ 3,144	\$ 1,656
1995 A/B Multifamily Fund	-	13
1994 D/E Homeownership Fund	318	323
1995 A Homeownership Fund	-	49
1996 C Homeownership Fund	128	139
1996 D Homeownership Fund	(53)	(43)
1997 A Homeownership Fund	56	55
1997 B Homeownership Fund	(2)	(3)
1997 C Homeownership Fund	38	52
1997 D Homeownership Fund	22	50
1997 F Homeownership Fund	35	43
1997 G Homeownership Fund	73	77
1998 A Homeownership Fund	60	68
1998 B Homeownership Fund	60	45
1998 E Homeownership Fund	28	40
1998 F Homeownership Fund	(66)	(58)
1999 A Homeownership Fund	19	54
1999 B Homeownership Fund	(4)	(27)
1999 D Homeownership Fund	32	43
2000 A Homeownership Fund	645	435
2000 C Homeownership Fund	127	151
2001 A Homeownership Fund	44	128
2001 C Homeownership Fund	29	48
2002 A Homeownership Fund	75	102
2002 B Homeownership Fund	35	151
2002 C Homeownership Fund	1,568	1,114
2003 A Homeownership Fund	255	271
2003 B Homeownership Fund	196	231
2004 A Homeownership Fund	-	343
2004 B Homeownership Fund	339	388
2004 C Homeownership Fund	105	214
2005 A Homeownership Fund	114	181
2005 B Homeownership Fund	-	100
2005 C Homeownership Fund	589	332
2006 A Homeownership Fund	17	872
2007 AB Homeownership Fund	291	15
2007 CD Homeownership Fund	836	-
2008 A Homeownership Fund	(144)	-
2008 B Homeownership Fund	(28)	-
	<u>\$ 8,981</u>	<u>\$ 7,653</u>

Note: Interfund receivables and payables have not been eliminated in the segment information.

NORTH DAKOTA HOUSING FINANCE AGENCY
HOUSING AND URBAN DEVELOPMENT – SECTION 8 FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2008

Line Item #	Description	NC S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate ND901MR0001	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate ND901MR0002	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate ND901MR0003	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate ND901MR0004	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate ND901MR0005
	Assets							
111	Cash - Unrestricted	117,263	4,543	15,231	-	5,036	-	4,619
113	Cash - Other Restricted	202,438	-	21,349	-	4,748	-	8,741
100	Total Cash	319,701	4,543	36,580	-	9,784	-	13,360
122	Accounts Receivable - HUD Other Projects	168,818	2,027	-	3,506	-	6,808	-
125	Accounts Receivable - Miscellaneous	150	44	109	44	71	23	30
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
120	Total Receivables, net of allowance for doubtful	168,968	2,071	109	3,550	71	6,831	30
142	Prepaid Expenses and Other Assets	1,600	31	77	32	50	16	21
150	Total Current Assets	490,269	6,645	36,766	3,582	9,905	6,847	13,411
160	Total Fixed Assets, Net of Accumulated Depreciation	-	-	-	-	-	-	-
180	Total Non-Current Assets	-	-	-	-	-	-	-
190	Total Assets	490,269	6,645	36,766	3,582	9,905	6,847	13,411
	Liabilities and Equity							
311	Bank Overdraft	-	-	-	359	-	3,277	-
312	Accounts Payable <= 90 Days	2,141	70	180	74	118	38	50
331	Accounts Payable - HUD PHA Programs	202,439	-	21,349	-	4,748	-	8,741
310	Total Current Liabilities	204,580	70	21,529	433	4,866	3,315	8,791
350	Total Noncurrent Liabilities	-	-	-	-	-	-	-
300	Total Liabilities	204,580	70	21,529	433	4,866	3,315	8,791
508	Total Contributed Capital	-	-	-	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-
511	Total Reserved Fund Balance	-	-	-	-	-	-	-
511.1	Restricted Net Assets	-	-	-	-	-	-	-
512.1	Unrestricted Net Assets	285,689	6,575	15,237	3,149	5,039	3,532	4,620
513	Total Equity/Net Assets	285,689	6,575	15,237	3,149	5,039	3,532	4,620
600	Total Liabilities and Equity/Net Assets	490,269	6,645	36,766	3,582	9,905	6,847	13,411
	Revenue							
705	Total Tenant Revenue	-	-	-	-	-	-	-
706	HUD PHA Operating Grants	11,302,961	48,587	208,204	60,561	92,553	74,490	86,468
711	Investment Income - Unrestricted	-	10	29	12	19	6	8
120	Investment Income - Restricted	1,218	2	5	2	3	1	1
700	Total Revenue	11,304,179	48,599	208,238	60,575	92,575	74,497	86,477
	Expenses							
911	Administrative Salaries	278,762	4,215	10,709	4,389	7,023	2,282	2,985
912	Auditing Fees	7,461	122	311	128	204	66	87
915	Employee Benefit Contribution - Administrative	96,689	1,475	3,752	1,538	2,460	800	1,046
916	Other Operating - Administrative	160,068	4,034	10,260	4,205	6,728	2,187	2,858
969	Total Operating Expenses	542,980	9,846	25,032	10,260	16,415	5,335	6,976
970	Excess Operating Revenue Over Operating Expenses	10,761,199	38,753	183,206	50,315	76,160	69,162	79,501
973	Housing Assistance Payments	10,685,880	33,964	171,815	47,354	71,536	66,587	76,132
900	Total Expenses	11,228,860	43,810	196,847	57,614	87,951	71,922	83,108
1010	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	75,319	4,789	11,391	2,961	4,624	2,575	3,369
	Memo Account Information							
1102	Debt Principal Payment - Enterprise Funds	-	-	-	-	-	-	-
1103	Beginning Equity	383,876	3,468	7,767	1,120	2,464	1,861	2,432
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(173,506)	(1,682)	(3,921)	(932)	(2,049)	(904)	(1,181)
1113	Maximum Annual Contributions Commitment (per ACC)	12,642,046	99,648	162,916	70,460	44,000	66,000	57,000
1114	Prorate Maximum Annual Contributions Applicable to a Period of Less than 12 Months	-	-	-	-	-	-	-
1115	Contingency Reserve, ACC Program Reserve	6,134,611	283,043	277	33,122	921	693	713
1116	Total Annual Contributions Available	18,776,657	382,691	163,193	103,582	44,921	66,693	57,713
1120	Unit Months Available	40,870	288	732	300	480	156	204
1121	Number of Unit Months Leased	40,870	288	732	300	480	156	204

HOUSING AND URBAN DEVELOPMENT – SECTION 8 FINANCIAL DATA SCHEDULE – page 2

Line Item #	Description	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate ND901MR0006	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate ND901MR0008	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate ND901MR0009	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate ND901MR0010	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate ND901MR0011
	Assets					
111	Cash - Unrestricted	14,372	-	7,542	-	2,267
113	Cash - Other Restricted	18,477	-	-	-	992
100	Total Cash	32,849	-	7,542	-	3,259
122	Accounts Receivable - HUD Other Projects	-	4,234	4,598	14,352	-
125	Accounts Receivable - Miscellaneous	203	21	64	32	32
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-
120	Total Receivables, net of allowance for doubtful	203	4,255	4,662	14,384	32
142	Prepaid Expenses and Other Assets	144	15	45	23	23
150	Total Current Assets	33,196	4,270	12,249	14,407	3,314
160	Total Fixed Assets, Net of Accumulated Depreciation	-	-	-	-	-
180	Total Non-Current Assets	-	-	-	-	-
190	Total Assets	33,196	4,270	12,249	14,407	3,314
	Liabilities and Equity					
311	Bank Overdraft	-	978	-	8,737	-
312	Accounts Payable <= 90 Days	336	35	106	53	53
331	Accounts Payable - HUD PHA Programs	18,477	-	-	-	992
310	Total Current Liabilities	18,813	1,013	106	8,790	1,045
350	Total Noncurrent Liabilities	-	-	-	-	-
300	Total Liabilities	18,813	1,013	106	8,790	1,045
508	Total Contributed Capital	-	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	-	-	-	-	-
511	Total Reserved Fund Balance	-	-	-	-	-
511.1	Restricted Net Assets	-	-	-	-	-
512.1	Unrestricted Net Assets	14,383	3,257	12,143	5,617	2,269
513	Total Equity/Net Assets	14,383	3,257	12,143	5,617	2,269
600	Total Liabilities and Equity/Net Assets	33,196	4,270	12,249	14,407	3,314
	Revenue					
705	Total Tenant Revenue	-	-	-	-	-
706	HUD PHA Operating Grants	254,334	51,886	89,970	91,351	50,481
711	Investment Income - Unrestricted	54	6	17	9	9
120	Investment Income - Restricted	10	1	3	2	2
700	Total Revenue	254,398	51,893	89,990	91,362	50,492
	Expenses					
911	Administrative Salaries	20,014	2,107	6,320	3,160	3,160
912	Auditing Fees	582	61	184	92	92
915	Employee Benefit Contribution - Administrative	7,012	738	2,214	1,107	1,107
916	Other Operating - Administrative	19,173	2,018	6,055	3,028	3,028
969	Total Operating Expenses	46,781	4,924	14,773	7,387	7,387
970	Excess Operating Revenue Over Operating Expenses	207,617	46,969	75,217	83,975	43,105
973	Housing Assistance Payments	194,118	44,591	68,036	80,408	40,973
900	Total Expenses	240,899	49,515	82,809	87,795	48,360
1010	Total Other Financing Sources (Uses)	-	-	-	-	-
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	13,499	2,378	7,181	3,567	2,132
	Memo Account Information					
1102	Debt Principal Payment - Enterprise Funds	-	-	-	-	-
1103	Beginning Equity	5,131	1,712	7,485	3,300	807
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(4,247)	(833)	(2,523)	(1,250)	(670)
1113	Maximum Annual Contributions Commitment (per ACC)	191,190	45,932	83,682	90,538	52,654
1114	Prorate Maximum Annual Contributions Applicable to a Period of Less than 12 Months	-	-	-	-	-
1115	Contingency Reserve, ACC Program Reserve	59,881	6,901	158,708	188	104,211
1116	Total Annual Contributions Available	251,071	52,833	242,390	90,726	156,865
1120	Unit Months Available	1,368	144	432	216	216
1121	Number of Unit Months Leased	1,368	144	432	216	216

NORTH DAKOTA HOUSING FINANCE AGENCY
SCHEDULE OF AND NOTES TO EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

EXHIBIT A-1

<u>Federal Grantor/Federal Agency /Pass through Agency/Program</u>	<u>Federal CFDA Number</u>		<u>Expenditures</u>
<u>Department of Agriculture</u>			
Rural Housing Service Division			
Very Low to Moderate Income Housing Loans	10.410		<u>\$ 17,531,454</u>
<u>Department of Housing and Urban Development</u>			
Federal Housing Commission Division			
Direct programs			
Mortgage Insurance - Homes	14.117	*	77,388,886
Rent Supplements - Rental Housing for Lower Income Families	14.149		11,228,859
Housing Counseling Assistance Program	14.169		131,889
Lower Income Housing Assistance Program -			
Section 8 Moderate Rehabilitation	14.856		1,006,816
Section 8 Moderate Rehabilitation - Single room occupancy	14.249		<u>43,813</u>
Section 8 Cluster			1,050,629
Community Planning and Development Division			
Pass through from ND Department of Commerce			
HOME Investment Partnership Program	14.239		<u>430,137</u>
Total Department of Housing and Urban Development			<u>90,230,400</u>
<u>Department of Veterans Affairs</u>			
Veterans Benefits Administration Division			
Veterans Housing - Guaranteed and Insured Loans	64.114	*	<u>16,738,669</u>
TOTAL			<u><u>\$ 124,500,523</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting.

NOTE 2 - LOAN GUARANTEES AND INSURANCE

The following is the balance of federal loan guarantees and insurance outstanding as of June 30, 2008 and 2007.

		<u>2008</u>	<u>2007</u>
Very Low to Moderate Income Housing Loans	10.410	\$ 75,751,505	\$ 64,608,971
Mortgage Insurance - Homes	14.117	411,045,931	379,618,060
Veterans Housing - Guaranteed and Insured Loans	64.114	55,236,380	44,680,922

* Denotes major program

**NORTH DAKOTA HOUSING FINANCE AGENCY
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008**

EXHIBIT A-2

FINDINGS - NONE



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Industrial Commission
State of North Dakota
Bismarck, North Dakota

We have audited the financial statements of the North Dakota Housing Finance Agency as of and for the year ended June 30, 2008, and have issued our report thereon dated November 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the North Dakota Housing Finance Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Dakota Housing Finance Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Dakota Housing Finance Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the North Dakota Housing Finance Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the North Dakota Housing Finance Agency's financial statements that is more than inconsequential will not be prevented or detected by the North Dakota Housing Finance Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the North Dakota Housing Finance Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Dakota Housing Finance Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee, Advisory Board, management, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
November 3, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Industrial Commission
State of North Dakota
Bismarck, North Dakota

Compliance

We have audited the compliance of the North Dakota Housing Finance Agency with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The North Dakota Housing Finance Agency's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the North Dakota Housing Finance Agency's management. Our responsibility is to express an opinion on the North Dakota Housing Finance Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the North Dakota Housing Finance Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on North Dakota Housing Finance Agency's compliance with those requirements.

In our opinion, the North Dakota Housing Finance Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

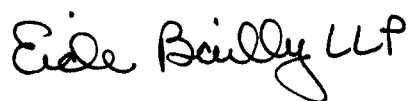
The management of the North Dakota Housing Finance Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the North Dakota Housing Finance Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Housing Finance Agency's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee, Advisory Board, management, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
November 3, 2008

NORTH DAKOTA HOUSING FINANCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

EXHIBIT A-5

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion of the financial statements of the North Dakota Housing Finance Agency.
2. No control deficiencies were disclosed by our audit of the financial statements of the North Dakota Housing Finance Agency.
3. No instances of noncompliance material to the financial statements of the North Dakota Housing Finance Agency, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for the North Dakota Housing Finance Agency expresses an unqualified opinion on all major Federal award programs.
5. No control deficiencies were disclosed relative to the major federal award programs for the North Dakota Housing Finance Agency.
6. The audit disclosed no audit findings required to be reported under Section 510(a) of OMB Circular A-133.
7. The major programs tested were Mortgage Insurance – Homes, CFDA# 14.117 and Veterans Housing – Guaranteed and Insured Loans, CFDA# 64.114.
8. The threshold for distinguishing a Type A program was \$3,735,016.
9. The North Dakota Housing Finance Agency qualified as a low-risk auditee for the year ended June 30, 2008.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None



**NORTH DAKOTA HOUSING FINANCE AGENCY
INDEPENDENT AUDITOR'S SPECIFIC COMMENTS REQUIRED BY THE
NORTH DAKOTA LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE
YEAR ENDED JUNE 30, 2008**

The Industrial Commission
State of North Dakota
Bismarck, North Dakota

The Legislative Audit and Fiscal Review Committee requires that certain items be addressed by independent certified public accountants performing audits of state agencies. The items and our responses regarding the June 30, 2008 audit of the Agency are as follows:

Audit Report Communications:

1. What type of opinion was issued on the financial statements?

Unqualified

2. Was there compliance with statutes, laws, rules and regulations under which the Authority was created and is functioning?

Yes.

3. Was internal control adequate and functioning effectively?

Yes.

4. Were there any indications of lack of efficiency in financial operations and management of the Authority?

No

5. Was action taken on prior audit findings and recommendations?

Yes.

- 6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.**

Yes, a separate management letter has been issued and is attached following page 61. Please refer to this document for all recommendations and agency responses.

Audit Committee Communications:

- 1. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.**

None

- 2. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of these estimates.**

None

- 3. Identify any significant audit adjustments.**

None

- 4. Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to financial accounting, reporting, or auditing matter that could be significant to the financial statements.**

None

- 5. Identify any significant difficulties encountered in performing the audit.**

None

- 6. Identify any major issues discussed with management prior to retention.**

None

- 7. Identify any management consultations with other accountants about auditing and accounting matters.**

The Agency does not consult with any other accountants regarding auditing or accounting matters.

- 8. Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions addressed above are directly related to the operations of an information technology system.**

None

This report is intended solely for the information and use of the North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee, Advisory Board, management, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota
November 3, 2008



Karlene Fine, Executive Director
The Industrial Commission
State of North Dakota
Bismarck, North Dakota

We have audited the financial statements of North Dakota Housing Finance Agency for the year ended June 30, 2008, and have issued our report thereon dated November 3, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered North Dakota Housing Finance Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether North Dakota Housing Finance Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about North Dakota Housing Finance Agency's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on North Dakota Housing Finance Agency's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on North Dakota Housing Finance Agency's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated August 25, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Dakota Housing Finance Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any known or likely misstatements during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 3, 2008.

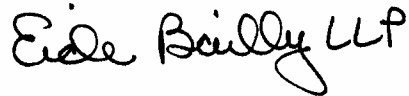
Management Consultations with other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee, Advisory Board and management of North Dakota Housing Finance Agency and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
November 3, 2008